Manikaran Power Limited

March 12, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term / Short Term Bank Facilities	146.00	CARE BBB+; Stable / CARE A2	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of rating assigned to the bank facilities of Manikaran Power Limited (MPL) factors in the sustained improvement in scale of operations as reflected CAGR of 8.44% from FY21 to FY24 (refers to April 01 to March 31), along with a satisfactory financial risk profile. The rating continues to derive comfort from the long track record of around two decades and established presence of MPL in the business of power trading. The same has resulted in the company having a strong market share (especially in the short-term power trading segment). The rating is further supported by company's past track record of effectively managing contractual and payment-related risks. This apart, CARE Ratings positively factors in the diversified client base comprising C&I customers as well as state and private utilities along with its healthy order book position which provides revenue visibility over the near to medium term.

Rating strengths, however, continue to remain constrained on account of regulated nature of power trading industry and low profitability margins which are inherent in short-term power trading segment. Also, the company is exposed to contractual risk in event of dispute which could lead to financial impact despite having power purchase agreements (PPAs) and power sale agreements (PSAs) which are back-to-back in nature. Ratings also take cognizance of the support forwarded to subsidiaries and SPVs setup for power generation via hydro as well as solar channels, in the form of corporate guarantees and investments/loans/advances. These entities are either operational or at advanced stages of completion and are expected to be financially self-sustainable post achieving completion.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale, market share and profitability margins resulting in a substantial increase in net worth.
- Improvement in liquidity profile of the company.

Negative factors

- Deterioration in financial risk profile as reflected by decline in scale, market share, profitability margins and liquidity profile.

Analytical approach: Standalone, while factoring financial support to subsidiaries in the form of corporate guarantee and loans/advances/investments for diversified solar and hydro power projects.

Outlook: Stable

CARE Ratings believes that MPL will continue to operate as a key player in the power trading business given its healthy order book and past track record.

Detailed description of key rating drivers:

Key strengths

Sustained growth in scale of operations with sustained cash accruals

MPL's scale of operations is growing consistently from the past few years on account of continuous growth in volumes. The company is ranked 6th in short term trades as per the latest Central Electricity Regulatory Commission (CERC) Report for FY24, and the growth is expected to sustain going forward. TOI has grown from Rs. 3432.04 crore during FY21 to Rs. 4745.09 crore in FY24, demonstrating a CAGR of 8.44%. Gross Cash Accruals (GCA) during FY24 was reported at Rs. 30.68 crore against Rs. 27.66 crore reported during FY23.

Large and Diversified Client Base

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

The counterparty credit risk for the company is low on account of diversified customer portfolio. MPL's customer base comprises C&I customers as well as utilities which are located in different states of India. Company is not dependent on a few customers for carrying out its operations and benefits on account of diversification. Apart from these clients, company has also ventured into various Solar Power / Hydro power through its SPV's/ Subsidiaries, which is expected to generate additional revenue in the near term.

Effective Management of Contractual Risk
While the medium-term trade is lucrative by virtue of its relatively higher and stable margins, it carries significant contractual risks on both the PPA and the PSA side. MPL with its long track record and strong connect with utilities has effectively managed these risks by having contractual safeguards in place, such as allowing third-party sale (in case of delay in payments from discoms), rebate for timely payments, late payment surcharge for delay in payments, presence of LCs as a payment security mechanism, termination liabilities, penalty for non-offtake by discom and bank guarantee from project developer guaranteeing supply of agreed power and same has been exhibited by no material debts since inception. These terms are back-to-back in nature in both PPAs and PSAs.

Revenue visibility on account of healthy order book of the company
Company's demonstrated ability to enter into fresh arrangements and renew its existing contracts provides revenue visibility over the near to medium term. Also, MPL has orders in hand for power and coal with diversified parties which provide revenue visibility in short as well as medium-term to the company. Presently, company has pending order of Rs. 8754.09 crore as on January 01, 2025, providing revenue visibility in near term.

Key weaknesses

Financial support to subsidiaries in the form of corporate guarantee and loans/advances/investments, however financial risk profile remains satisfactory
MPL has forwarded support to it's multiple SPVs/subsidiaries in the form of loans/advances/investments as well as corporate guarantee. These sister entities/SPVs are into power generation via solar (8.15 MW capacity with 3.15 MW already operational) and hydro (14.8 MW capacity with 10 MW already operational). The non-operational capacities are also expected to become operational within the next 6-8 months. All these entities are expected to be self sufficient in meeting their financial obligations, when completed, however the successful commissioning and performance in their nascent years remain a key monitorable.
As on March 31, 2024, MPL has provided Corporate Guarantee of Rs. 42 crore (PY: Rs. 3.17 crore), along with support in the form of loans/advances/investments Rs. 74.37 crore (PY: Rs. 56.34 crore.) to its group companies/ subsidiaries/ SPV's etc
Financial risk profile, however continue to remain satisfactory with good net worth base and low debt levels. Adjusted overall gearing (adjusted for the financial support given to subsidiaries/SPVs) moderated to 0.56x (PY: 0.11x) in FY24.

Regulated Nature of Power Trading Industry
The power trading market can be segregated into two types: Long term Bilateral contracts (>1 year) and short term contracts (≤1 year). The trading margins allowed by CERC, in short term segment, is currently capped at Rs. 0.07/kWh subject to fulfilment of condition of LC. This limits the trading margins of MPL and other power trading companies.

Significant counterparty risks in case of dispute/delay in receipt of payments
MPL is exposed to counterparty credit risks due to its exposure to the state power utilities. However, the risk is mitigated to some extent due to company's wide and large client base. Moreover, the presence of contractual safeguards mitigates the risk to an extent. Despite most of the terms being back to back in both PPAs and PSAs, the company's financials can get impacted adversely in case of a dispute.

Low Profitability Margins due to trading nature of operations
MPL's profitability margins are generally low, which is customary to the power trading industry on account of capped trading margins by CERC. Operational margins during FY24, however, further moderated on account of lower proportion of income from coal trades which generally commanded higher margins during earlier years. PBILDT Margin was reported at 0.10% during FY24, against 0.38% in FY23. Further, PAT Margin sustained at similar level, at 0.53% in FY24, against 0.54% in FY23, primarily on account of rental income which the company has been earning for a few years now on sub-lease of commercial property in Delhi. Overall cash accruals are also expected to sustain going forward, supported by the continuing rental income.

Liquidity: Adequate

Liquidity profile of the company is marked adequate on account of free cash and liquid as on December 31, 2024, of Rs. 26.31 crore. Gross cash accruals for FY25 are projected at Rs. 40 crore which is sufficient for servicing scheduled debt repayment of Rs. 0.80 crore during the year. Going forward. Working capital utilisation is 57.4% during last 12 months ended Feb-25.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Infrastructure Sector Ratings
Short Term Instruments
Wholesale Trading

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power Trading

Manikaran Power Limited, incorporated in Oct 2005, is engaged in power trading business and holds Category-I trading license from CERC. MPL is a trading member on Indian Energy Exchange (IEX) and Power Exchange India Limited (PXIL). It enters into Power Trading contracts (Short/Medium-term) and bilateral contracts and also specializes in trading of Renewable Energy Certificates on Power Exchanges platform. With dedicated 400 professionals working in different states, the company has been consistently ranked under top five power traders by CERC for the past few years. An ISO 9001:2008 and ISO 27001:2005 certified company, company has a pan India presence through its office in Delhi, Kolkata, Mumbai, Bangalore, Hyderabad, Chennai and Ahmedabad and has a diversified client base.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	4,117.04	4,745.09
PBILDT*	15.50	4.72
PAT	22.28	25.05
Overall gearing (times)	0.05	0.08
Interest coverage (times)	4.43	1.73

A: Audited; Note: these are latest available financial results
*considering core operating income only

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT/ ST-Cash Credit		-	-	-	11.00	CARE BBB+; Stable / CARE A2
Non-fund-based - LT/ ST-BG/LC		-	-	-	135.00	CARE BBB+; Stable / CARE A2

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Non-fund-based - LT/ ST-BG/LC	LT/ST	135.00	CARE BBB+; Stable / CARE A2	-	1)CARE BBB+; Stable / CARE A2 (10-Jan-24) 2)CARE BBB+; Stable / CARE A2 (06-Apr-23)	1)CARE BBB+; Stable / CARE A2 (18-Apr-22)	-
2	Fund-based - LT/ ST-Cash Credit	LT/ST	11.00	CARE BBB+; Stable / CARE A2	-	1)CARE BBB+; Stable / CARE A2 (10-Jan-24) 2)CARE BBB+; Stable / CARE A2 (06-Apr-23)	1)CARE BBB+; Stable / CARE A2 (18-Apr-22)	-

LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT/ ST-Cash Credit	Simple
2	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Saikat Roy Senior Director **CARE Ratings Limited** Phone: 912267543404 E-mail: saikat.roy@careedge.in	Puneet Kansal Director **CARE Ratings Limited** Phone: 120-4452018 E-mail: puneet.kansal@careedge.in Akhil Kumar Associate Director **CARE Ratings Limited** Phone: 91-120-4451986 E-mail: akhil.kumar@careedge.in Nikhil Sachdeva Lead Analyst **CARE Ratings Limited** E-mail: Nikhil.sachdeva@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For detailed Rationale Report and subscription information,
please visit www.careedge.in